

**BURT TOWNSHIP SCHOOL DISTRICT #2
GRAND MARAIS, MICHIGAN**

**FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

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INDEPENDENT AUDITORS' REPORT

Board of Education
Burt Township School District #2
Grand Marais, Michigan 49839

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Burt Township School District #2, as of and for the year ended June 30, 2008, which collectively comprise the Burt Township School District #2's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Burt Township School District #2's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Burt Township School District #2, as of June 30, 2008, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2008, on our consideration of the Burt Township School District #2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Burt Township School District #2
Grand Marais, Michigan 49839

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Burt Township School District #2's basic financial statements. The combining and individual non-major fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 17, 2008

Burt Township School District #2

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Burt Township School District #2 financial performance provides an overview of the School District's financial activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for Burt Township School District #2 as a whole were reported at \$1,837,612. Nets assets are comprised of 100% governmental activities.
- During the year, Burt Township School District #2 expenses were \$1,004,801, while revenues from all sources totaled \$829,087, resulting in a decrease in net assets of \$175,714.
- The general fund reported a decrease of \$144,458 before other financing sources (uses) and a total decrease of \$156,549. This is \$22,386 less than the forecasted decrease of \$178,935. This was a result of revenues being \$923 higher than forecasted and expenses being \$16,336 lower than forecasted and transfers out being \$5,127 lower than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Burt Township School District #2 financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Burt Township School District #2 as a whole begins on page 7. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net asset, the difference between assets and liabilities, is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

Management's Discussion and Analysis (Unaudited) (Continued)

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds – *governmental* and *proprietary* – use the following accounting methods.

- *Governmental funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2008 and 2007:

Table 1		
Net Assets		
	Governmental Activities - 2008	Governmental Activities - 2007
Current and other assets	\$245,785	\$358,735
Capital assets, net	1,719,727	1,738,892
Total Assets	1,965,512	2,097,627
Current liabilities	127,900	84,301
Long-term liabilities	-	-
Total Liabilities	127,900	84,301
Net Assets:		
Invested in capital assets, net of related debt	1,719,727	1,738,892
Restricted	438	-
Unrestricted	117,447	274,434
Total Net Assets	\$1,837,612	\$2,013,326

Management's Discussion and Analysis (Unaudited) (Continued)

The School District's net assets were \$1,837,612 at June 30, 2008. Capital assets, net of related debt totaling \$1,719,727, compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$117,447 was unrestricted.

The \$117,447 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2008 and 2007.

Table 2
Changes in Net Assets

	Governmental Activities - 2008	Governmental Activities - 2007
Revenues:		
Program revenues:		
Charges for services	\$5,133	\$7,360
Operating grants and contributions	67,270	89,413
General revenues:		
Property taxes	455,780	443,899
State sources not restricted to specific program	274,072	404,026
Investment earnings	11,980	14,978
Miscellaneous	14,852	38,164
Total Revenues	829,087	997,840
Program Expenses:		
Instruction	499,504	534,238
Supporting services	395,759	335,597
Community services	-	366
Food service activities	38,521	34,953
Athletic activities	23,143	14,714
Other	28,709	2,609
Depreciation – unallocated	19,165	19,016
Total Expenses	1,004,801	941,493
Increase (decrease) in net assets	(175,714)	56,347
Net assets, beginning	2,013,326	1,956,979
Net Assets, Ending	\$1,837,612	\$2,013,326

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$1,004,801. Certain activities were partially funded from those who benefited from the programs, \$5,133, or by other governments and organizations that subsidized certain programs with grants and categoricals, \$67,270. We paid for the remaining "public benefit" portion of our governmental activities with \$455,780 in taxes, \$274,072 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets for the year of \$175,714. The key change in the net assets was the result of a reduction in State Foundation Allowance compared to the prior year.

Management's Discussion and Analysis (Unaudited) (Continued)

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$499,504	\$459,008
Supporting services	395,759	390,826
Food service activities	38,521	15,862
Totals	\$933,784	\$865,696

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$117,885, a decrease of \$156,549 from the beginning of the year. The change in the combined fund balance was a result of capital outlay expenditures.

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

BUDGETED REVENUES:

General Fund Revenues changed from Original to Final Budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$805,212</u>	<u>\$778,426</u>	<u>\$(26,786)</u>	<u>(3.33)%</u>

Burt Township School's final budgeted revenues differed from the original budget as follows:

- By \$26,786 or 3.33% less than the final budget.

The significant decrease in the budgeted revenue can be attributed mainly to State Aid (\$67,180) due to a decrease in student count. Other contributing factors were increases to Federal Grants (\$31,096). Grants are recognized on Burt's financial statements once Burt receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the

Management's Discussion and Analysis (Unaudited) (Continued)

final budgets include grant revenues that will be utilized in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year.

BUDGETED EXPENDITURES

General Fund Expenditures changed from the Original to Final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$859,990</u>	<u>\$940,143</u>	<u>\$80,153</u>	<u>9.32%</u>

Burt Township School's final budgeted expenditures differed from the original budget as follows:

- By \$80,153 or 9.32% more than the final budget.

The significant increase in the budgeted expenditures can be attributed mainly to the hiring of new administrative staff (\$57,516). This hiring took place after the original budget was created. The other contributing factor was the repayment of prior year state aid (\$28,544). This was due to improper reporting of tax values by the taxing authorities in Burt Township to the state of Michigan for several previous years.

ACTUAL REVENUES:

The General Fund Actual Revenues differed from the Final Budget as follows:

	Actual	Final Budget	Variance	
			Amount	Percent
Total	<u>\$779,349</u>	<u>\$778,426</u>	<u>\$923</u>	<u>0.12%</u>

Burt Township School's final budgeted revenues differed from the actual revenues as follows:

- By \$923 or 0.12% more than the final budget.

The variance in revenue can be attributed to driver's education revenue (\$1,334). Burt Schools ended up not having any driver's education classes during this year.

ACTUAL EXPENDITURES

General Fund Actual Expenditures differed from the Final budget as follows:

	Actual	Final Budget	Variance	
			Amount	Percent
Total	<u>\$923,807</u>	<u>\$940,143</u>	<u>\$16,336</u>	<u>1.74%</u>

Burt Township School's final budgeted expenditures differed from the actual expenditures as follows:

- By \$16,336 or 1.74% less than the final budget.

The significant variance in expenditures can be attributed to mainly to Health Insurance (\$10,098). The full health Insurance deductible is budget although not every one's deductible will be fully spent.

Management's Discussion and Analysis (Unaudited) (Continued)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008 and 2007, the School District had \$1,719,727 and \$1,738,892, respectively, invested in a variety of capital assets including land, buildings, and buses. (See table 4 below)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities – 2008	Governmental Activities – 2007
Land	\$1,599,600	\$1,599,600
Land Improvements	5,528	5,827
Buildings	-	-
Building Improvements	82,829	87,482
Equipment	31,770	45,983
Totals	<u>\$1,719,727</u>	<u>\$1,738,892</u>

There was no capital outlay during the 2007-2008 fiscal year. Please refer to NOTE O in the notes to the financial statements for the change in reported capital assets between June 30, 2008 and 2007.

Debt

There were no new additions to debt this year. At the end of this year, the School District had no bonds outstanding.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2008 budget. One of the most important factors affecting the budget is the collection of local property taxes. Local property taxes account for approximately 46 percent of our revenue.

The collection of revenues by the State can also affect the School District's general operation budget. School districts throughout the state must adjust their budgets if the State decreases the per pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2008-09 school year, the state of the economy on a state and national level will be reflected in our budget.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Burt Township School District #2, P.O. Box 338, Grand Marais, MI 49839.

Burt Township School District #2
Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 140,867
Receivables:	
Accounts	26
Taxes	39,537
Due from other governmental units	61,704
Inventories	832
Prepaid expenses	2,819
	<hr/>
TOTAL CURRENT ASSETS	245,785
	<hr/>
Non-current assets:	
Capital assets	4,812,337
Less accumulated depreciation	(3,092,610)
	<hr/>
TOTAL NON-CURRENT ASSETS	1,719,727
TOTAL ASSETS	<hr/> 1,965,512 <hr/>
LIABILITIES:	
Current liabilities:	
Accounts payable	38,599
Accrued liabilities	39,077
Due to other governmental units	-
Deferred revenue	50,224
Current portion of long term debt obligations	-
	<hr/>
TOTAL CURRENT LIABILITIES	127,900
	<hr/>
Non-current liabilities:	
Non-current portion of employee benefit obligations	-
Non-current portion of long term debt obligations	-
	<hr/>
TOTAL NON-CURRENT LIABILITIES	-
TOTAL LIABILITIES	<hr/> 127,900 <hr/>
NET ASSETS:	
Invested in capital assets net of related debt	1,719,727
Restricted:	
Debt service	-
Capital projects	438
Unrestricted	117,447
	<hr/>
TOTAL NET ASSETS	<hr/> \$ 1,837,612 <hr/>

The accompanying notes are an integral part of these financial statements.

Burt Township School District #2

Statement of Activities

For the Year Ended June 30, 2008

Function / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 499,504	\$ -	\$ 40,496	\$ -	\$ (459,008)
Supporting services	395,759	-	4,933	-	(390,826)
Community services	-	-	-	-	-
Food service activities	38,521	2,844	19,815	-	(15,862)
Athletic activities	23,143	2,289	2,026	-	(18,828)
Other	28,709	-	-	-	(28,709)
Depreciation - unallocated	19,165	-	-	-	(19,165)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,004,801	\$ 5,133	\$ 67,270	\$ -	(932,398)
General revenues:					
Taxes					
Property taxes, levied for general purposes					
					455,780
Federal and State aid not restricted to specific purposes					
					274,072
Interest and investment earnings					
					11,980
Miscellaneous					
					14,852
TOTAL GENERAL REVENUES					756,684
CHANGES IN NET ASSETS					(175,714)
Net Assets , July 1 (As Restated)					2,013,326
NET ASSETS, JUNE 30					\$ 1,837,612

The accompanying notes are an integral part of these financial statements.

Burt Township School District #2

Governmental Funds

Balance Sheet

June 30, 2008

	General Fund	Non-Major Governmental Funds	Total
ASSETS:			
Cash and cash equivalents	\$ 138,641	\$ 2,226	\$ 140,867
Accounts receivable	-	26	26
Taxes Receivable	39,537	-	39,537
Due from other governmental units	61,356	348	61,704
Due from other funds	2,670	-	2,670
Money on Deposit	-	-	-
Inventories	-	832	832
Prepaid expenses	2,819	-	2,819
TOTAL ASSETS	\$ 245,023	\$ 3,432	\$ 248,455
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 38,275	\$ 324	\$ 38,599
Accrued liabilities	39,077	-	39,077
Due to other fund	-	2,670	2,670
Due to other Gov't Units	-	-	-
Deferred revenue	50,224	-	50,224
TOTAL LIABILITIES	127,576	2,994	130,570
FUND BALANCES:			
Reserved for:			
School service activities	-	-	-
Capital projects	-	438	438
Unreserved:			
Undesignated	117,447	-	117,447
TOTAL FUND BALANCES	117,447	438	117,885
TOTAL LIABILITIES AND FUND BALANCES	\$ 245,023	\$ 3,432	\$ 248,455

The accompanying notes are an integral part of these financial statements.

Burt Township School District #2

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2008

Total Fund Balances for Governmental Funds		\$ 117,885
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	4,812,337	
Accumulated depreciation	<u>(3,092,610)</u>	
		1,719,727

Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds payable - current	-	
Bonds payable - long term	-	
Employee benefits payable	<u>-</u>	
		-
		<hr/>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 1,837,612</u></u>

The accompanying notes are an integral part of these financial statements.

Burt Township School District #2

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	General Fund	Non-Major Governmental Funds	Total
REVENUES:			
Local sources	\$ 474,922	\$ 7,159	\$ 482,081
State sources	274,826	1,592	276,418
Federal sources	29,601	18,223	47,824
TOTAL REVENUES	779,349	26,974	806,323
EXPENDITURES:			
Current:			
Instruction	499,504	-	499,504
Supporting services	394,546	-	394,546
Community services	-	-	-
Food service activities	-	37,696	37,696
Athletic activities	-	23,143	23,143
Facilities acquisition	1,213	825	2,038
Other	28,544	165	28,709
TOTAL EXPENDITURES	923,807	61,829	985,636
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(144,458)	(34,855)	(179,313)
OTHER FINANCING SOURCES (USES):			
Sale of assets	-	-	-
Other Sources	11,630	-	11,630
Transfers in	-	34,855	34,855
Transfers from other governmental units	11,134	-	11,134
Transportation reimbursement	-	-	-
Operating transfers in (out)	(34,855)	-	(34,855)
TOTAL OTHER FINANCING SOURCES (USES)	(12,091)	34,855	22,764
NET CHANGE IN FUND BALANCES	(156,549)	-	(156,549)
Fund Balance, July 1	273,996	438	274,434
FUND BALANCE, JUNE 30	\$ 117,447	\$ 438	\$ 117,885

The accompanying notes are an integral part of these financial statements.

Burt Township School District #2

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities**

For the Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ (156,549)**

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(19,165)	
Capital outlays - facilities acquisitions	<u>-</u>	(19,165)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

-

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

-

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Change in sick and vacation leave - (support services)	-	
Change in sick and vacation leave- (instruction)	<u>-</u>	-

Change in Net Assets of Governmental Activities **\$ (175,714)**

The accompanying notes are an integral part of these financial statements.

Burt Township School District #2

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2008

	Private- Purpose Trust	Student Activities Fund
ASSETS:		
Cash and equivalents	\$ 22,479	\$ 1,027
TOTAL ASSETS	22,479	1,027
LIABILITIES:		
Due to student activities	-	\$ 1,027
Due to other funds	-	-
TOTAL LIABILITIES	-	\$ 1,027
NET ASSETS:		
Reserved for scholarships	22,479	
TOTAL NET ASSETS	\$ 22,479	

The accompanying notes are an integral part of these financial statements.

Burt Township School District #2

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2008

	Private- Purpose Trust
	<hr/>
ADDITIONS:	
Interest	<u>\$ 998</u>
TOTAL ADDITIONS	<hr/> 998
DEDUCTIONS:	
Scholarships awarded	<u>835</u>
TOTAL DEDUCTIONS	<hr/> 835
CHANGE IN NET ASSETS	163
Net assets, July 1	<u>22,316</u>
NET ASSETS, JUNE 30	<u><u>\$ 22,479</u></u>

The accompanying notes are an integral part of these financial statements.

BURT TOWNSHIP SCHOOL DISTRICT #2

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Burt Township School District #2 conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Burt Township School District #2 contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service and Athletics Funds.

Capital Projects Fund – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Fiduciary Funds

Private Purpose Trust Fund – The Private Purpose Trust Fund is used to account for the granting of scholarships and awards to qualified students.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (a) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with maturities of three months or less.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$493 in the General Fund for grant funding that has been received but is unearned and delinquent property taxes receivable.

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property taxes are levied on December 1, on behalf of the District by various taxing units and are payable without penalty by February 14. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS:

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets.

	Primary Government	Fiduciary Funds	Total
Cash and equivalents	\$140,867	\$23,506	\$164,373
Investments	-	-	-
TOTALS	\$140,867	\$23,506	\$164,373

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. The carrying amounts of the District's deposits with financial institutions were \$164,373 and the bank balance was \$170,888. The bank balance is categorized as follows:

Amount insured by the FDIC	\$102,843
Amount uncollateralized and uninsured	68,045
TOTAL	\$170,888

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units consist of \$49,854 due from the State of Michigan for State Aid and \$11,850 due from other governmental units for the operation of special programs and grant projects.

NOTE D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The Burt Township School District #2, Grand Marais, Michigan reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		Due From Other Funds		
		Athletic Fund	Lunch Fund	Total Due From Other Funds
Due To Other Funds	General Fund	\$955	\$1,715	\$2,670
	Total Due To Other funds	\$955	\$1,715	\$2,670

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

NOTE D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

		Transfer Out To Other Funds	
Transfer In From Other Funds		General Fund	Total Transfers In
	Athletic Fund	\$18,828	\$18,828
	Lunch Fund	16,027	16,027
	Total Transfers Out	<u>\$34,855</u>	<u>\$34,855</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE E – CAPITAL ASSETS:

Capital asset activity of the School District's governmental activities was as follows:

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
Capital assets not being depreciated:				
Land	\$1,599,600	\$-	\$-	\$1,599,600
Subtotal	<u>1,599,600</u>	<u>-</u>	<u>-</u>	<u>1,599,600</u>
Capital assets not being depreciated:				
Land Improvements	5,976	-	-	5,976
Buildings	3,000,000	-	-	3,000,000
Building Improvements	93,051	-	-	93,051
Equipment	113,710	-	-	113,710
Subtotal	<u>3,212,737</u>	<u>-</u>	<u>-</u>	<u>3,212,737</u>
Less accumulated depreciation:				
Land Improvements	(149)	(299)	-	(448)
Buildings	(3,000,000)	-	-	(3,000,000)
Building Improvements	(5,569)	(4,653)	-	(10,222)
Equipment	(67,727)	(14,213)	-	(81,940)
Total Accumulated Depreciation	<u>(3,073,445)</u>	<u>(19,165)</u>	<u>-</u>	<u>(3,092,610)</u>
CAPITAL ASSETS, NET	<u>\$1,738,892</u>	<u>\$ (19,165)</u>	<u>\$-</u>	<u>\$1,719,727</u>

NOTE F – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE:

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenue from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the average of pupil membership counts taken in February and October of 2007.

**NOTE F – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE
(Continued):**

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2007 – August 2008.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service. The MPERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 17.74% of covered compensation to the Plan through September 30, 2007 and 16.72% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2008 was \$85,711 which consisted of \$70,891 from the District and \$14,820 from employees electing the MIP option. These represent approximately 16% and 3% of covered payroll, respectively. The School District's contribution to MPERS for 2007 was \$93,004 and for 2006 was \$85,674.

Payroll paid to employees covered by the System for the year ended June 30, 2008 was approximately \$436,869. The District's total payroll was approximately \$448,151.

Other Post-Employment Benefits

In addition to pension benefits, MPERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPERS is factored into the pension contribution rate.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

NOTE H – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages these risks by purchasing commercial insurance and/or by participating in public entity risk pools.

The District pays annual premiums to the risk pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies. The District is unable to provide an estimate of the amounts of additional assessments, if any, which are required to make the pool self-sustaining; however, they believe any amount would be insignificant. The District's general liability coverage is \$25,000 per occurrence and \$1,000,000 in the aggregate.

The District estimates that the amount of actual or potential claims, if any, against the District as of June 30, 2008, not covered by insurance are not material to the general purpose financial statement. Therefore, no provision for estimated claims is recognized.

NOTE I – ECONOMIC DEPENDENCY:

The School District receives approximately 40 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of Burt Township School District #2.

NOTE J – PRIVATE PURPOSE TRUST:

Three funds are considered to be the property of the various groups and not the District. The George Spaulding Library Fund corpus is to be retained, with the income restricted to library use. The Dr. J.R. Boland Scholarship Fund and the James and Robin Henderson Scholarship Fund corpus are to be retained with the income awarded as a scholarship to a worthy student.

NOTE K – PROPERTY TAX:

The taxable value of real and personal property located in the District for the 2007 tax year which represents approximately 50% of the estimated current value, totaled \$34,998,890 (consisting of \$9,932,812 for Homestead and \$25,066,078 for Non-Homestead). The tax levy for the year was based on a rate of 18.0000 mills on the Non-homestead property (one mill is equal to \$1.00 per \$1,000 of taxable value) and is remitted to the District's general fund by the taxing unit.

NOTE L – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2008 is as follows:

	Governmental Activities
Accrued wages	\$29,993
MESSA payable	-
Accrued fringes	9,084
Accrued interest	-
TOTAL	<u>\$39,077</u>

NOTE M – RESERVED AND DESIGNATED FUND EQUITY:

The School District reserves fund equities for the following funds:

Capital Projects Fund – The resources of the Capital Projects Fund have been accumulated for the specific purpose of acquiring fixed assets. The fund equity is reserved for this purpose.

NOTE N – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities utilized. The School District recognized \$1,683 during fiscal year 2007-08 in revenues and expenditures for USDA commodities.

NOTE O – SINGLE AUDIT:

The District's audited financial statements report a total of \$47,824 in federal expenditures. As this amount is less than the single audit threshold of \$500,000, the District is therefore not required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

Burt Township School District #2

General Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2008

			Variances							
			Actual (GAAP Basis)	Positive (Negative)						
				Original Budget to Final Budget	Final Budget to Actual					
BUDGETED AMOUNTS										
Original			Final							
REVENUES:										
Local sources	\$	463,224	\$	472,522	\$	474,922	\$	9,298	\$	2,400
State sources		341,988		274,808		274,826		(67,180)		18
Federal sources		-		31,096		29,601		31,096		(1,495)
TOTAL REVENUES			805,212	778,426	779,349	(26,786)	923			
EXPENDITURES:										
Instruction:										
Basic programs		478,862		487,594		473,454		(8,732)		14,140
Added needs		58,696		26,430		26,050		32,266		380
Total Instruction			537,558	514,024	499,504	23,534	14,520			
Supporting Services:										
Pupil services		1,230		1,100		100		130		1,000
Instructional staff		1,250		6,497		4,603		(5,247)		1,894
General administration		107,016		123,676		118,317		(16,660)		5,359
School administration		750		41,606		40,286		(40,856)		1,320
Business support		16,850		17,531		16,737		(681)		794
Operation and maintenance		128,159		143,194		160,393		(15,035)		(17,199)
Pupil transportation		55,870		55,394		49,794		476		5,600
Central support		11,307		6,366		4,316		4,941		2,050
Total Supporting Services			322,432	395,364	394,546	(72,932)	818			
Community Services:										
Community Activities		-		-		-		-		-
Total Community Services			-	-	-	-	-			
Facilities Acquisition:										
Capital Outlay		-		1,500		1,213		(1,500)		287
Total Facilities Acquisition			-	1,500	-	1,213	(1,500)	287		
Other:										
Other expenses		-		29,255		28,544		(29,255)		711
Total Other			-	29,255	-	28,544	(29,255)	711		
TOTAL EXPENDITURES			859,990	940,143	923,807	(80,153)	16,336			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			(54,778)	(161,717)	(144,458)	(106,939)	17,259			
OTHER FINANCING SOURCES (USES)										
Sale of assets		-		-		-		-		-
Other Sources		3,000		11,630		11,630		8,630		-
Transfers in		-		-		-		-		-
Transfers from other governmental units		20,000		11,254		11,134		(8,746)		(120)
Transportation reimbursement		-		-		-		-		-
Operating transfers out		(30,661)		(40,102)		(34,855)		(9,441)		5,247
TOTAL OTHER FINANCING SOURCES (USES)			(7,661)	(17,218)	(12,091)	(9,557)	5,127			
NET CHANGE IN FUND BALANCE			(62,439)	(178,935)	(156,549)	(116,496)	22,386			
Fund Balance, July 1		273,996		273,996		273,996		-		-
FUND BALANCE, JUNE 30			\$ 211,557	\$ 95,061	\$ 117,447	\$ (116,496)	\$ 22,386			

OTHER SUPPLEMENTAL INFORMATION

Burt Township School District #2

Non-Major Governmental Funds

Combining Balance Sheet

June 30, 2008

	Special Revenue Funds	Capital Projects Fund	Total
ASSETS:			
Cash and cash equivalents	\$ 1,788	\$ 438	\$ 2,226
Accounts receivable	26	-	26
Money on Deposit	-	-	-
Due from other governmental units	348	-	348
Inventory	832	-	832
TOTAL ASSETS	<u>\$ 2,994</u>	<u>\$ 438</u>	<u>\$ 3,432</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 324	\$ -	\$ 324
Accrued liabilities	-	-	-
Due to other funds	2,670	-	2,670
TOTAL LIABILITIES	<u>2,994</u>	<u>-</u>	<u>2,994</u>
FUND BALANCES:			
Reserved for school service activities	-	-	-
Reserved for capital outlay	-	438	438
TOTAL FUND BALANCES	<u>-</u>	<u>438</u>	<u>438</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,994</u>	<u>\$ 438</u>	<u>\$ 3,432</u>

Burt Township School District #2

Non-Major Governmental Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	Special Revenue Funds	Capital Projects Fund	Total
REVENUES:			
Athletic activities	\$ 4,315	\$ -	\$ 4,315
School lunch activities	2,844	-	2,844
State aid	1,592	-	1,592
Federal sources	18,223	-	18,223
TOTAL REVENUES	26,974	-	26,974
EXPENDITURES:			
Supporting services	-	-	-
School lunch activities	37,696	-	37,696
Athletic activities	23,143	-	23,143
Other	165	-	165
Capital Outlay	825	-	825
TOTAL EXPENDITURES	61,829	-	61,829
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(34,855)	-	(34,855)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	34,855	-	34,855
TOTAL OTHER FINANCING SOURCES (USES)	34,855	-	34,855
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	438	438
FUND BALANCE, JUNE 30	\$ -	\$ 438	\$ 438

Burt Township School District #2

Non-Major Special Revenue Funds

Combining Balance Sheet

June 30, 2008

	<u>School Lunch Fund</u>	<u>Athletic Fund</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 99	\$ 1,689	\$ 1,788
Accounts Receivable	-	26	26
Money on Deposit	-	-	-
Due from other governmental units	348	-	348
Inventory	<u>832</u>	<u>-</u>	<u>832</u>
TOTAL ASSETS	<u>\$ 1,279</u>	<u>\$ 1,715</u>	<u>\$ 2,994</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 324	\$ -	\$ 324
Accrued liabilities	-	-	-
Due to other funds	<u>955</u>	<u>1,715</u>	<u>2,670</u>
TOTAL LIABILITIES	<u>1,279</u>	<u>1,715</u>	<u>2,994</u>
FUND BALANCES:			
Reserved for school service activities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,279</u>	<u>\$ 1,715</u>	<u>\$ 2,994</u>

Burt Township School District #2

Non-Major Special Revenue Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	<u>School Lunch Fund</u>	<u>Athletic Fund</u>	<u>Total</u>
REVENUES:			
Athletic activities	\$ -	\$ 4,315	\$ 4,315
School lunch activities	2,844	-	2,844
State aid	1,592	-	1,592
Federal sources	18,223	-	18,223
TOTAL REVENUES	<u>22,659</u>	<u>4,315</u>	<u>26,974</u>
EXPENDITURES:			
School lunch activities	37,696	-	37,696
Athletic activities	-	23,143	23,143
Other	165	-	165
Capital Outlay	825	-	825
TOTAL EXPENDITURES	<u>38,686</u>	<u>23,143</u>	<u>61,829</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(16,027)</u>	<u>(18,828)</u>	<u>(34,855)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	16,027	18,828	34,855
TOTAL OTHER FINANCING SOURCES (USES)	<u>16,027</u>	<u>18,828</u>	<u>34,855</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Burt Township School District #2

School Lunch Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
School lunch activities	\$ 2,625	\$ 2,844	\$ 219
State aid	1,100	1,592	492
Federal sources	<u>19,800</u>	<u>18,223</u>	<u>(1,577)</u>
TOTAL REVENUES	<u>23,525</u>	<u>22,659</u>	<u>(866)</u>
EXPENDITURES:			
School lunch activities:			
Salaries	12,305	11,885	420
Employee benefits	3,900	3,558	342
Purchased services	1,600	1,094	506
Supplies and materials	25,000	21,159	3,841
Capital Outlay	825	825	-
Other	<u>100</u>	<u>165</u>	<u>(65)</u>
TOTAL EXPENDITURES	<u>43,730</u>	<u>38,686</u>	<u>5,044</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(20,205)	(16,027)	4,178
OTHER FINANCING SOURCES (USES):			
Transfer from general fund	<u>20,205</u>	<u>16,027</u>	<u>(4,178)</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>20,205</u>	<u>16,027</u>	<u>(4,178)</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Burt Township School District #2**Athletic Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual****For the Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Athletic activities	<u>\$ 3,587</u>	<u>\$ 4,315</u>	<u>\$ 728</u>
TOTAL REVENUES	<u>3,587</u>	<u>4,315</u>	<u>728</u>
EXPENDITURES:			
Business activities:			
Purchased services	700	675	25
Transportation activities:			
Salaries	2,000	2,030	(30)
Employee benefits	828	782	46
Purchased services	1,200	1,130	70
Supplies and materials	100	75	25
Other expenses	-	-	-
Athletic activities:			
Salaries	4,157	4,157	-
Employee benefits	1,113	1,013	100
Purchased services	7,536	7,215	321
Supplies and materials	5,600	5,839	(239)
Other expenses	<u>250</u>	<u>227</u>	<u>23</u>
TOTAL EXPENDITURES	<u>23,484</u>	<u>23,143</u>	<u>341</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(19,897)</u>	<u>(18,828)</u>	<u>1,069</u>
OTHER FINANCING SOURCES (USES):			
Transfers from general fund	<u>19,897</u>	<u>18,828</u>	<u>(1,069)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>19,897</u>	<u>18,828</u>	<u>(1,069)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Burt Township School District #2

Capital Projects Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local sources	\$ -	\$ -	\$ -
State sources	-	-	-
Federal sources	-	-	-
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Repairs	-	-	-
TOTAL EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
General Fund - transfer in	-	-	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	438	438	-
FUND BALANCE, JUNE 30	<u>\$ 438</u>	<u>\$ 438</u>	<u>\$ -</u>

Burt Township School District #2

Student Activity Agency Fund

Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2008

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
ASSETS:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 1,030</u>	<u>\$ 3</u>	<u>\$ 1,027</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 1,030</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 1,027</u></u>
LIABILITIES:				
Due to Class of 2013	<u>\$ -</u>	<u>\$ 1,030</u>	<u>\$ 3</u>	<u>\$ 1,027</u>
Due to other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>\$ -</u></u>	<u><u>\$ 1,030</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 1,027</u></u>

COMPLIANCE SECTION



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education
Burt Township School District #2
PO Box 338
Grand Marais, MI 49839

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Burt Township School District #2, as of and for the year ended June 30, 2008, which collectively comprise Burt Township School District #2's basic financial statements and have issued our report thereon dated October 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Burt Township School District #2's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Burt Township School District #2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Burt Township School District #2's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Burt Township School District #2's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Burt Township School District #2's financial statements that is more than inconsequential will not be prevented or detected by Burt Township School District #2's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting as item(s): 08-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Burt Township School District #2's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burt Township School District #2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Burt Township School District #2's response to the findings identified in our audit is described in the accompanying report to management. We did not audit Burt Township School District #2's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 17, 2008



Burt Township School District #2
Report to Management Letter
For the Year Ended June 30, 2008

Board of Education
Burt Township School District #2
P.O. Box 338
Grand Marais, MI 49839

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Burt Township School District #2 as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Burt Township School District #2's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Burt Township School District #2's internal control. Accordingly, we do not express an opinion on the effectiveness of Burt Township School District #2's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

08-01 – SEGREGATION OF DUTIES (Repeat)

Condition/Criteria: The accounting staff of Burt Township School District #2 is made up of one individual, which does not allow for segregation of duties.

Effect: Because of the limited staff, there is an increased chance that misstatements in financial statements would not be prevented or detected on a timely basis.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staffs were large enough to provide optimum segregation of duties.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Penny Barney, Co-Superintendent
- Corrective Action Planned:
 - The Board of Education closely monitors all payments and reviews the financial statements on a monthly basis. The Board of Education has also hired MARESA to provide accounting services for the School.
- Anticipated Completion Date:
 - Not applicable

This communication is intended solely for the information and use of the management, Burt Township School District #2 Board of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 17, 2008